

## THE IMPACT OF LEADER-MEMBER EXCHANGE (LMX) AND EXPECTANCY THEORIES ON SUBORDINATE LOYALTY AND TRUST

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### ABSTRACT

*The traditional workplace is no longer applicable in the 21<sup>st</sup> century. Employers are replacing the brick and mortar workplace with laptop and internet protocol (IP)-based phones with employees working from non-traditional work settings. Understanding how to relate to and build trust with virtual employees, as well as among virtual working teams, are of paramount importance to the modern leader. Numerous theoretical models have been offered up to address and explain strategies and approaches for leaders to gain loyalty and trust among subordinates. However, the leader-member exchange (LMX) and expectancy theories possess attributes that are most applicable to the modern, virtual workplace. With employees and work groups dispersed across regions, time zones and continents, understanding how to establish trust and loyalty are critical. The LMX theory seeks to improve the interaction and flow of communication, between the leader and subordinate, designed to establish and foster trust and loyalty that yield a sense of empowerment within and/or among subordinates. The trust and loyalty that are generated from the effective implementation of LMX influences the expectations of subordinates. Reinforcement of a two-way communication, between leader and subordinate, correlate with the subordinate's ability to manage expectations and confidence to perform job-related tasks. By properly establishing expectations, while providing subordinates access to information for informed decision-making, this approach generates a sense of empowerment that leads to more positive outcomes, which the subordinates grows to expect. As a result, the effective implementation of LMX, coupled with managing the expectations of subordinates, lead to greater productivity and more positive outcomes which are critically important in managing virtual employees and work groups.*

**KEYWORDS:** *Leader-Member Exchange, Expectancy, Loyalty, Trust, Virtual*

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### INTRODUCTION

The last two decades have witnessed an explosion in communication and organizational connectedness like never before, due in large part to the shift towards online business. Organizations have adapted, or have been forced to change their business models, in order to compete on a global scale. The closed system operational models that dominated the business landscape of America, in the previous century, have been replaced with transparent, open system models. This paper will address the following research question: How does a leader influence subordinate loyalty and trust within the framework of the leader-member exchange and expectancy theories?

According to a 2003 household survey, over 20 million Americans were identified as home-based employees (referred to as telecommuters), with the number expected to increase 20% annually over the next two

decades (DeRosa, 2009). Moreover, a large portion of home-based employee's work is what is known as virtual teams; teams in which team members are geographically dispersed, collaborating with one another on various projects in order to complete tasks (DeRosa, 2009). Whereas companies relied on peer- to-peer interaction in a physical workplace to accomplish tasks in the past, telecommuters working within virtual teams complete tasks through electronic mediums. The new workplace presents unique challenges to leaders that manage physically absent subordinates, operating in virtual teams, requiring the leader to think strategically in order to ensure tasks are accomplished by both the individual, as well as the team.

Furthermore, in today's workplace, employees across nearly every spectrum of the organization have access to greater amounts of information, have the ability to make better informed decisions and are sought for input throughout the decision-making process. Human capital has become the dominant currency of the 21<sup>st</sup> century, due in large part to increased access to information, creating a more empowered and informed workforce. Today's workforce searches for greater information in an effort to both increase their skillsets, as well as provide direct input into the accomplishment of organizational goals.

Modern leaders are expected to engage in information sharing with employees, as the leaders are no longer subject matter experts in all areas of the teams they manage. Employees that perceive that information is being withheld will actively work to restore balance. Viewing restriction to information as an inequity reduces faith and goodwill towards the organization, resulting in poor employee performance. Now, more than ever, leaders must operate in a more transparent and collaborative manner, creating a bottom-up approach to their organizational structure and leadership style.

### **Leader-Member Exchange Theory (LMX)**

The leader-member exchange (LMX) is defined as an "individualized leadership model that explores how leader-member relationships develop over time and how the quality of exchange relationships affect outcomes" (Daft, 2011, p. 53). In a virtual work environment, a key component to the success of the team is the ability to communicate openly and effectively with subordinates. Because leaders are not physically present in the virtual workplace, granting greater access to information, coupled with communicating in a clear and effective manner, foster mutual trust and understanding between the leader and the subordinate, a type of partnership building (Daft, 2011).

### **In-Group and Out-Group**

In the LMX relationship, the leader tends to develop and maintain a relationship with subordinates that varies from a high or in-group relationship to a low or out-group relationship (Mueller & Lee, 2002; Lee, 2001; Lee, 1997; Bakar, Mohamad & Herman, 2004). Proximity to the leader has a tremendous impact on a subordinate's worth and value within the organization. Those subordinates that maintain a high level of favor and interaction with their leader are considered to hold a high-quality or in-group relationship. Subordinates, in this relationship, exhibit a high level of loyalty, trust, mutual and professional respect towards the leader. Conversely, subordinates that hold a distant proximity to the leader exhibit a different relationship from that held by in-group subordinates.

Low-quality or out-group relationships exhibit a low level of loyalty, trust and professional respect towards the leader, maintaining little sense of contribution to the leader, team and/or organization (Linden & Maslyn, 1998; Bakar et al., 2004). Additionally, low-quality relationships between a leader and subordinate can impact job performance, cooperation and output, yielding a potentially negative impact to the team and/or organization with whom the low-quality

subordinate works. Studies have shown that a low-quality relationship further creates professional barriers and distance between the leader and subordinate, fostering perceptions of unfairness, as it relates to rewards both formal and informal (Yulk & Fu, 1999). However, those subordinates that identified as having a high-quality relationship with the leader reported greater formal and informal rewards, in addition to a higher level of job satisfaction and participation (Dienesch & Linden, 1986).

### **Leader-Subordinate Communication**

Providing the proper level of guidance, direction and feedback is fundamental to the success of subordinates. In order to properly foster and develop a strong relationship with subordinates, in an effort to create in-group relationships, leaders must effectively communicate authority, articulate the hierarchical structure of the team and/or organization, and define job related tasks, goals and outcomes in a manner that are unambiguous to subordinates. This is developed through the leader-subordinate paradigm wherein an exchange of information and influence occurs. In addition, the leader-subordinate paradigm is defined as an interaction whereby the leader seeks to achieve objectives while solidifying and maintaining the relationship (Anderson, Madlock & Hoffman, 2006; Bakar et al., 2004; Miles, Patrick & King, 1996). Spitzberg and Cupach (1981) note that the exchange of ideas and information, in the leader-subordinate paradigm, is “a form of interpersonal influence in which an individual is faced with the task of fulfilling communication goals (effectiveness) while maintaining conversational and interpersonal norms (appropriateness)” (p. 1). Additionally, the manner in which the communication flows is critical in the development of the leader-subordinate or in-group relationship.

According to Clampitt and Downs (1994) communication is often referred to, between a leader and subordinate, as downward and upward communications. The types of communication that take place between the leader and subordinate are job instruction, processes and procedures, feedback and defining goals. The manner by which the leader consciously chooses to develop relationships with subordinates can be either a positive or a negative relationship communication (Katz & Kah, 1978). Positive relationships communication, in the leader-subordinate paradigm, focuses on the leader actively seeking input from the subordinate, expressing interest in ideas other than his/her own, relating to the subordinate on a personal level to allow for input in the decision-making process. This form of positive relationship communication, or upward communication, provides a subordinate with the opportunity to openly and respectfully disagree with a leader's instructions and/or point of view without fear of reprisal (Katz & Kah, 1978). Incidentally, the opposite can occur in the leader-subordinate relationship.

Downward communication, between the leader and subordinate, is associated with a negative relationship. In this relationship, one member derives institutional power from the role held within the organizational framework, directing and evaluating the activities of subordinates (Jablin, 1979; Bakar et al., 2004). The leader's focus is critical in nature, centering on open criticism of the subordinate in the presence of peers. In these types of negative relationships, downward or “closed communication” uses leverage by which the leader forces subordinates to prescribe to institutional norms and roles (Graen & Scandura, 1987). According to Sias and Jablin (1995), subordinates that report experiencing a low quality relationship with a leader openly express their concerns to peers, serving to reinforce a negative perception of the leader within the team and/or organization.

Communication has a profound impact on the leader-subordinate relationship. The way by which the leader chooses to interact with employees can have both positive and negative outcomes. Subordinates that engaged in an open communication dialogue with a leader expressed greater job satisfaction, in comparison to those reported a negative

communication and/or relationship with a leader resulting in a significantly decreased sense of worth and job satisfaction (Bakar et al., 2004).

### **Leader-Subordinate Proximity**

The institutional and relational proximity of a subordinate to a leader has a tremendous impact on the leader-subordinate relationship. According to Bass (1990) effective leadership “depends on physical proximity, social and organizational propinquity, and network of open channels of communication” (p. 658). Likewise, subordinates that experience a closer relationship and proximity to a leader have been found to have a positive effect, garnering a greater level of trust and communication between the leader and subordinate; a development of heightened sense of self-worth with respect to the subordinate’s role in the organization. The distance to the leader, as it relates to proximity, has a profound impact on the leader-subordinate relationship.

Donald Pelz, a professor of psychology at the University of Michigan in the 1950s, conducted extensive research to identify the precise leadership style that generated the highest level of employee (subordinate) satisfaction. The findings produced by Pelz became known as the “Pelz Effect” (1952). The findings of Pelz’s work noted that leadership style mattered little in comparison to whether or not the supervisor held power. Moreover, subordinates, according to Pelz’s findings, displayed a greater sense of job satisfaction, and increase job performance, based on the leader’s upward influence (Pelz, 1952; Bakar et al., 2004). Subordinates having direct contact and access to a leader developed greater communication with subordinates, as the leader serves as the focal point of communication within the team and/or organization (Anderson & Tolson, 1991; Bakar et al., 2004). The hierarchical influence of the leader, and the proximity of subordinates to the leader, produces both positive and motivational effects. Additionally, the positive effect of leader-subordinate proximity also develops and fosters a cohesive support system within a team and/or organization.

Proximal distance to the leader creates greater communication and cooperation in the leader-subordinate relationship. According to Jaussi and Dionne (2003) a leader must rely largely on communication that is clear and unambiguous in relation to defined expectation of subordinates. With greater proximity to the leader is the opportunity for a subordinate to grow and advance through professional development approaches such as coaching and mentorship (Kerfoot, 2010). A leader-subordinate relationship organically develops as a result of positive upward communication, as well as proximity to an organization’s hierarchical leadership structure.

### **LMX Impact on Loyalty and Trust**

Subordinates strive for acceptance from their peers, as well as among a team and/or organization’s leadership structure. A sense of loyalty and trust is developed between leader and subordinate by constructing an atmosphere where all subordinates are accepted as part of the team or “in-group,” establishing channels of communication that support and elicit subordinate input while simultaneously leveraging communication in a manner that brings a subordinate closer to a leader.

With the transition towards a virtual work environment, a leader must maintain a higher level of awareness in relation to the leader-subordinate relationship. Virtual employees (subordinates) have less face-to-face interaction with immediate leaders (supervisors) in the virtual workplace. Effective leaders, in the virtual age, have the opportunity to foster and develop in-group relationships with subordinates by allowing them greater access to information in an effort to more quickly and efficiently accomplish organizational objectives (Avolio & Kahai, 2003). Moreover, greater access to

information creates a sense of empowerment among subordinates, a sense of autonomy that is less indicative of the traditional workplace. By allowing subordinates greater access to information, along with greater visibility into the decision making process at the leadership level, subordinates experience an elevated degree of acceptance which reinforces the in-group relationship; a key component to the development of loyalty and trust among subordinates (Thomas & Bostrom, 2008). In addition, the need to develop effective channels of communication is also critical to the successful application of the leader-member relationship.

The manner in which a leader communicates has a profound impact on the trust and loyalty of subordinates. The type of communication within an organization, between a leader and subordinate, is described as upward or positive communication, while downward communication is considered to be negative (Katz & Kah, 1978). In both the traditional and virtual work environments, organizational success is impacted by the type of communication channels established by the leader. Positive or upward communication relationships, between leader and subordinate, reflect leaders seeking to elicit input from subordinates in the decision-making process. This bottom-up approach to leadership creates a positive communication relationship wherein subordinates have the opportunity to openly and respectfully disagree with a leader's instructions and/or point-of-view without fear of reprisal (Katz & Kah, 1978). When the viewpoints of subordinates are taken into consideration by a leader, a heightened level of trust is nurtured, leading to greater subordinate job satisfaction and sense of worth (Bakar et al., 2004). Likewise, effective virtual leaders articulate the direction of the organization.

According to Mohammed (2009) leaders in the virtual workplace must be able to articulate and communicate the goals and direction of the organization that are clearly understood by subordinates. Unlike the traditional workplace, where leaders meet face-to-face with subordinates frequently and often, virtual leaders must carefully craft, in unambiguous terms, the goals and vision of the organization in an effort to create buy-in from subordinates separated by time and space. Understanding the goals and direction of the organization through effective communication, coupled with the valued input in the decision-making process of the organization, work toward solidifying trust and loyalty of subordinates to leaders. In addition to the need for effective communication is the proximal relation of subordinates to leaders in the organizational structure.

According to the "Pelz Effect" (1952), subordinates that have direct contact and access to a leader developed greater communication with subordinates, as the leader serves as the focal point of communication (Anderson & Tolson, 1991; Bakar et al., 2004). In both the traditional and virtual work setting, a subordinate's proximity to management (leader) produces a more positive and motivational effect on the subordinate. In the virtual workplace, subordinates are oftentimes separated from a physical proximity to a leader, versus subordinates in the traditional workplace that interact with a leader on a near daily basis. Therefore, the need for greater access to a leader, in the virtual workplace, is far more critical due in large part to the lack of face-to-face interaction. Kerfoot (2010) holds that greater proximity to the leader creates a greater sense of worth in a subordinate. A subordinate's sense of acceptance by a leader, coupled with the desire for open and effective communication and access to a leader, are of critical importance to the leader-member relationship. However, the unique challenges posed by the modern virtual workplace, where feelings of marginalization and isolation can be heightened due to lack of face-to-face interactions with a leader, can have devastating consequence to both team and organizational synergy. In order to combat these perceptions, virtual leaders must be vigilant in the increase of interaction with virtual subordinates, eliciting opinions, viewpoints and input from subordinates while ensuring a positive proximal distance to the leader, are important factors in solidifying the leader-member relationship in the virtual work environment.

## **Expectancy Theory**

The expectancy theory is closely linked to the motivational theory proposed by Victor H. Vroom (1964) which holds that “motivation depends on individuals’ mental expectations about their ability to perform tasks and receive desired rewards” (Daft, 2011, p. 235). According to Fudge and Schlacter (1999) the expectancy theory is a motivational theory in that it places emphasis on individual perception of the environment in which the individual lives and operates; interactions arising from consequences of personal expectations. Additionally, the reward produced for the successful completion of a job related task, or attainment of a specific goal, appeals entirely to an individual’s extrinsic rewards system.

According to Leonard, Beauvais and Scholl (1999) extrinsic motivators are external rewards used to induce a certain type of behavior from an employee or subordinate. Shamir (1990) further concurs with previous perspectives that such motivational theories are based exclusively on tangible rewards, with individuals making conscious efforts to maximize their self-interests. Moreover, other aspects of the expectancy theory include the motivational mindset of the subordinate and the motivational effectiveness of leadership.

Besides the appeal to the subordinate expectations and motivational rewards, the expectancy theory serves as a tool by which individuals (subordinates) are provided the opportunity to realize and develop their leadership goals. The motivational aspects of the expectancy theory influence the psychological process by which individuals create expectation, impacting the way an individual views his/her environment. By bestowing rewards in an appropriate manner, successful completion of tasks and goal attainment, leaders develop strategies that both influence and motivate subordinates toward maximizing self-interests (Isaac, Zerbe & Pitt, 2001). According to Karathanos, Pettypool and Trout (1994) expectancy suggests that people will exert effort when he/she believes certain performance standards can be successfully attained. What is more, the performance of subordinates is closely linked to job satisfaction.

Clampitt and Downs (1994) hold that job satisfaction has been linked to the performance and productivity of a subordinate in the workplace, impacting the subordinate’s attainment of goals which impact the same’s upward mobility. By contrast, a poor reward system fosters poor performance, increased absenteeism, a reduction in communication, reducing the subordinate’s commitment to the group and/or organization (Hargie, Tourish & Wilson, 2002). Therefore, the personal and professional values of a subordinate are linked to performance outcomes in relation to extrinsic rewards he/she receives (Fudge & Schlacter, 1999; Van Erde & Thiery, 1996; Isaac et al., 2001).

## **Effort-Performance (EP) Linkage**

The motivational state of mind of a subordinate can be illustrated in the linkage between effort and performance. The amount of effort that a subordinate is willing to put forth, as it relates to his/her role in the organization is based on several factors. These factors include level of difficulty of the assigned task, whether or not the subordinate is capable of successfully completing the assigned task and professional development as it relates to improving the skillset of a subordinate and outcome expectations.

Individuals require meaning and purpose in relation to the responsibilities and tasks undertaken. A factor that has considerable impact on the performance of a subordinate is the type of tasks assigned by the leader. The tasks assigned and/or delegated to the subordinate, by the leader, must possess a reasonable level of challenge in an effort to improve subordinate performance; a linkage to the expectancy theory and its ability, if leveraged effectively, to develop leadership skills within individuals. Challenging work-related tasks aid the subordinate in developing greater self-confidence,

increases understanding, improves the subordinate's skillset and offers a training experience for the subordinate in an effort to improve his or her performance. Challenges presented to subordinates, through work assigned tasks, help to develop and grow the leadership skills of a subordinate. However, if leaders assign mundane or menial tasks to a subordinate, the impact can have a devastating impact, eroding the subordinate's self-confidence, worth and value to the team and/or organization (Isaac et al., 2001). In addition to the need to assign meaningful work-related tasks, leaders must be conscious of the subordinate's abilities.

Individuals bring unique talents and skills to the workplace, in particular the today's workplace which draws from a diverse background of abilities and talents from across the world. These talents and skills are also accompanied by deficiencies and weaknesses that a leader must identify in an effort to work toward improvement. According to Moussa (1996) the leader must have the ability to assess how an individual measures his/her performance of expected job duties. The strength and/or weakness of the Effort-Performance (EP) Linkage is almost exclusively tied to the individual, as it relates to his/her motivational state. If the subordinate feels that he/she cannot adequately manage assigned job duties and/or tasks to completion, the individual lacks the self-confidence and determination to see the job or task through. Leaders must be cognizant of the talents and abilities of subordinates, assessing and analyzing strengths and weaknesses, leveraging educational opportunities, increased and continued training for further growth and greater empowerment of the subordinate. Likewise, clearly understanding leader expectations in relation to goals and outcomes are also crucial to the performance outcomes of subordinates.

To improve performance outcomes, subordinates must clearly understand the expectations of the leader. In order to meet individual and/or team expectations, as it relates to outcomes, the leader must clearly define and articulate what constitutes an acceptable outcome (Brown & Peterson, 1994). Discussing, setting, analyzing and reviewing performance is critical to the reinforcement of the EP Linkage, particularly as it relates to the individual's expectations and performance. More to the point, the leader and the subordinate must collectively create acceptable standards by which outcomes are measured in terms of success and failure. In order to increase the expectance of subordinates, the leader must establish appropriate guidelines or metrics by which outcomes are measured.

By effectively communicating how performances and outcomes are measured, the leader provides the subordinate with the knowledge he/she needs in order to complete assigned job duties and tasks successfully. Providing opportunities for professional growth through challenging assignments, as well as professional development, create and reinforce the self-confidence needed to aid in the growth of the subordinate. These factors, fused together by effective leadership, improve the effort and performance of subordinates, improving subordinate expectations.

### **Performance-Outcome (PO) Linkage**

The importance of successful job performances by subordinates is of vital importance to a team and/or organization. However, equally important is the manner in which the subordinate is rewarded for successful outcomes by the leader. Therefore, leaders must be cognizant that assurances made to subordinates, in relation to successfully completing tasks and/or projects, are upheld. Leaders must take several factors into consideration, as it relates to performance-outcome such as solidifying trust by fulfilling promises, ensuring equitable and fair treatment of all subordinates and offering clear and timely feedback to subordinates in relation to job performance.

Solidifying goodwill and trust between a leader and subordinates are fundamental components of the leader-subordinate relationship, particularly in the area of extrinsic rewards. Much of the focus is on the performance of the subordinate, but of equal importance is whether or not rewards are bestowed upon subordinates when objectives and goals are met. According to Daly and Kleiner (1995) promises made to subordinates, by leaders, must be delivered upon in order to ensure trust between the leader and subordinate. Leaders that promise or overcommit on the promise of extrinsic rewards, but fail to deliver upon commitments when goals and/or performance objectives are met by subordinates, can cause tremendous harm to the leader-subordinate relationship (Weaver, 1996). In addition to delivering upon commitments, leaders must ensure equitable treatment of subordinates.

Of importance to performance outcome is the manner in which a leader treats subordinates. Treatment of subordinates, by a leader, must be both efficient and predictable. An important consideration, in the advancement of subordinates into organizational leadership roles, is the assurance that individuals are treated fairly (Turpin, 1999). In addition, leaders must safeguard that expected outcomes by subordinates are applied on a consistent basis. Subordinates must see and understand that if a specific effort is successfully made, a specific and defined outcome (reward) is earned; a reinforcement of the subordinate's extrinsic reward system. Inconsistent application of outcomes (rewards) to subordinates creates confusion, erodes trust and adversely impacts the effort-performance paradigm. Moreover, the manner in which the leader provides feedback must be clear and unambiguous to the subordinate.

Effective leaders provide feedback to a subordinate that is unambiguous, ensuring that there is no misinterpretation in the leader's expectations. According to Isaac et al. (2001), leader feedback must be given "in a tactful yet straightforward manner, focusing upon performance and not the person" (p. 219). By providing specific feedback, with respect to subordinate job performance, helps to solidify that the subordinate will capitalize on opportunities in an effort to attain an outcome that is mutually beneficial to themselves, the leader and the organization.

### **Expectancy Theory Impact on Trust and Loyalty**

Subordinates across industries and organizations perform specific job duties, as well as undertake new and additional assignments, in an effort to maximize rewards. According to Daft (2011) individuals are motivated to perform and complete tasks in an effort to receive a desired reward and/or outcome. As the expectancy theory is closely aligned with the extrinsic rewards system of individuals, leaders must understand how to effectively leverage rewards in an effort to achieve desired outcomes. Motivating subordinates towards desired outcomes presents challenges for leaders in both the traditional and virtual workplaces, in relation to trust.

In the traditional sense, subordinates are motivated by the attainment of tangible rewards such as pay increases, bonuses and/or job promotions. A successfully completed task or project yields the receipt of a monetary reward. However, with the advent of the virtual workplace, attainment of rewards can be different from the traditional rewards system. According to Karathanos et al. (1994), expectancy suggests that individuals will exert effort when they believe certain performance standards can be successfully attained. Undertaking more work-related tasks, by virtual employees, can be motivated by the need to appeal to rewards beyond those of an extrinsic nature such as the desire to maximize job satisfaction. Moreover, virtual employees may be motivated to successfully complete job assignments and/or tasks in an effort to attain more free time with his/her family (Madlock, 2012). Therefore, leaders must develop strategies, depending upon the type of workplace that are designed to both influence and motivate subordinates towards maximizing self-interests (Isaac et al., 2001). Moreover, ensuring that rewards are properly bestowed upon subordinates, for the successful

completion of a task or project, is critical in maintaining trust between the leader and subordinate. Additionally, a leader's ability to understand the relationship between a subordinate's effort and performance is also crucial to organizational success.

Individuals desire responsibilities and tasks that possess meaning and purpose. Tasks assigned by a leader, to a subordinate, must possess a reasonable level of challenge in an effort to improve subordinate performance. Such assignments create a sense of trust and loyalty, between the subordinate and the leader, that the assignment is designed to improve his/her professional skillset (Moussa, 1996). However, if assigned tasks are mundane or menial, or if the tasks are well beyond the capabilities of the subordinate, the result is an erosion of trust in the leader (Isaac et al., 2001). In particular, in the virtual environment, the leader's needs to evaluate, analyze and confer with subordinates are crucial to his/her success. Understanding the strengths and weaknesses of a subordinate, and working with him/her to improve and grow professionally, solidifies trust between the leader and subordinate. Additionally, communicating outcomes are essential in establishing and maintaining trust between the leader and subordinate.

Leaders must be cognizant that assurances made to subordinates for achieving defined tasks, goals or projects successfully are upheld. Whether in a traditional or virtual workplace, a leader must ensure that he/she never overcommits to promises upon which he/she cannot deliver (Daly & Kleiner, 1995). Failing to deliver on promises can have a tremendously negative impact on subordinate performance, as well as the leader-subordinate relationship (Weaver, 1996). Equally important is the manner in which leaders treat their subordinates.

In the traditional workplace, face-to-face interaction and communication between the leader and subordinate aid in tackling misperceptions in relation to rewards and/or favors bestowed upon subordinates. For example, several employees may be brought together to form a team to complete an assigned work-related task and/or project. One team member may exert more control, direction and coordination of project-related tasks in order to successfully complete the project. This individual may receive greater public recognition for his/her work than the other team members. In the traditional workplace, subordinate performance can be more easily evaluated by the leader; bestowing special recognition to the subordinate that went above and beyond his/her assigned responsibilities to assist the team in achieving their collective objective. However, in the virtual workplace, team members interact through electronic communication and mediums, completing assigned tasks in order to successfully complete a project.

These individuals do not physically see what team member spent greater time in the office working on the assignment and/or project. Once completed, if a team member receives greater attention and recognition from the leader than do the other team members, subordinate performance may be negatively impacted, eroding trust and confidence in the leader. Therefore, the manner in which leaders bestow recognition and rewards upon subordinates, in relation to outcomes, must be carefully analyzed in the workplace setting, but particularly so in the virtual workplace.

Expectancies vary as individuals are motivated by different rewards, embrace professional growth and challenges differently and perceive outcomes differently based upon circumstances. Effective leaders must understand what rewards best motivate subordinates to successfully accomplish tasks and/or projects, competently understand the talents and skills of subordinates and bestow rewards on subordinates in a manner that preserves team and organizational cohesiveness. These challenges to modern leaders must be taken into consideration based upon the leadership role, and workplace, in which the leader is required to operate.

## CONCLUSIONS

The modern workplace has undergone significant changes over the last century. The workplace of brick and mortar institutions has been replaced by personal laptops, the internet and telecommunications. However, effective leadership is needed whether in the traditional, face-to-face or the virtual workplace. Cultivating and reinforcing a positive relationship with subordinates are paramount to the success of a leader as well as the organization. Despite the dramatic shift in the way in which employees work, the need to treat subordinates with value, respect and a sense of belonging still remain critical components to the leader-subordinate relationship.

Additionally, developing strategies around how to effectively bestow rewards upon subordinates, in an effort to accomplish tasks and projects, is important in the development of trust and loyalty between the leader and subordinate. Moreover, ensuring that rewards are bestowed upon subordinates in a consistent, fair and equitable manner also encourage and solidify trust between the leader and subordinate. An effective motivational appeal to the extrinsic rewards system of subordinates can have positive and lasting effects on an organization's success.

The leader-member exchange theory is an integral component as both a motivational tool, as well as a vehicle for developing trust between a leader and subordinate. In a shift from a face-to-face workplace to one connected by teleconferencing and email, the need to quickly establish and maintain a sense of belonging, between the leader and subordinate, are critical to an organization's success in the global marketplace. Solidifying trust across time and space has immeasurable value as monetary value cannot be placed, per se, on the goodwill forged between a leader and subordinate.

In addition, the expectancy theory builds upon components of the LMX such as establishing effective channels of communication, clearly defining outcomes of job related tasks, determining how to effectively motivate and reward subordinates as well as how to equitably bestow recognition and rewards upon subordinates in a manner that preserve trust, loyalty and continuity. Effective leaders understand how to obtain the most from subordinates by successfully integrating components of the LMX with motivational components of the expectancy theory.

With time and space separating subordinates from the presence of physical leadership, information sharing, empowerment and appealing to the individual reward system of subordinates are central to modern leadership. As the workplace evolves so, too, must leaders. Understanding how to nurture and foster relationship with subordinates, coupled with effective communication and fairness, are paramount to organizational success in the 21<sup>st</sup> century.

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